



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 1/27/2004

GAIN Report Number: MX4012

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #4 2004

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Report Highlights:

- *ATO RESTAURANT PROMOTION RESULTS IN LONG-TERM SOYBEAN OIL SALES TO SANBORNS
- *MEXICO IS FREE OF POULTRY AVIAN INFLUENZA
- *FARMERS FORECAST RECORD PRODUCTION OF CORN IN SINALOA
- *NORTHERN MEXICO BORDER UPDATE: BIO-TERRORISM LAW IMPLEMENTATION AND MEXICAN FARM EXPORTS
- *U.S. WILL IMPOSE FINES FOR NON-COMPLIANCE OF BIO-TERRORISM LAW
- *LOCAL MEDIA REPORTS RISING PRICES AND SHORTAGES OF HIGH-VALUE MEAT CUTS
- *NOT ONE KILO OF U.S. MEAT HAS ENTERED INTO MEXICO: ECONOMY SECRETARIAT
- *MEXICAN CATTLEMEN MEET WITH COUNTERPARTS IN THE UNITED STATES
- *FEEDLOT OWNERS WANT ORDER IN THE MEXICAN MEAT MARKET
- *LOCAL IMPORTERS SWITCHING TO ALTERNATIVE MEAT PRODUCTS
- *NORTHERN MEXICAN CATTLE FEEDERS AT FULL CAPACITY
- *MEXICAN MEAT PACKERS STRUGGLE TO KEEP UP WITH DEMAND
- *MEXICAN CATTLEMEN LOOK FORWARD TO REGAINING THE MARKET
- *MEXICO TO TAKE ADVANTAGE OF MEXICO-JAPAN FTA NEGOTIATIONS

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

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ATO RESTAURANT PROMOTION RESULTS IN LONG-TERM SOYBEAN OIL SALES TO SANBORNS

As a result of the U.S. Agricultural Trade Office's restaurant promotion and follow-up efforts by the American Soybean Association, Sanborns (a Mexican restaurant chain) has decided to use U.S. soybean oil for cooking in its restaurants nation-wide. The initial purchase was for 210 metric tons or US\$126,000 dollars. With more than 100 restaurants and coffee shops, the annual sales to Sanborns are estimated to be as much as 10,000 metric tons, or approximately US\$6 million dollars annually at current oil prices. (Source: ATO Mexico City, 1/22/04)

MEXICO IS FREE OF POULTRY AVIAN INFLUENZA

Mexican Animal Health authorities declared that Mexico is free of avian influenza and indicated that it is very unlikely that this disease that affects Vietnam will reach Mexican poultry farms, as Mexico does not import poultry products from Asia. The Poultry Producers Association in Mexico indicated that there is permanent supervision of whatever risk situation arises and producers comply with all official health requirements. (Source: *Universal*, 1/17/04)

FARMERS FORECAST RECORD PRODUCTION OF CORN IN SINALOA

Corn producers in the Mexican State of Sinaloa estimate a harvest of 3.6 million tons for the autumn-winter season, 2003/04. A total of 424,283 hectares (933,422 acres) of corn were planted and farmers are optimistic that they will have no commercialization problems, due to the favorable market situation. (Source: *El Debate*, Sinaloa, 1/26/04)

NORTHERN MEXICO BORDER UPDATE: BIO-TERRORISM LAW IMPLEMENTATION AND MEXICAN FARM EXPORTS

After five weeks since implementation of the Bio-Terrorism Law, FDA's interim policy of flexibility and discretion coupled with compliance education has resulted in smooth trade flows of Mexican farm exports and minimal rejections. Three rejections occurred at the Nuevo Laredo/Laredo port of entry, the busiest crossing point along the 1,960-mile border, due to inaccurate registration data. At Tijuana, the third busiest port, the chief SAGARPA inspector stated that no rejections had occurred and that it appeared that exporters had done their homework well. At Nogales, a major crossing point for fresh fruits and vegetables, no rejections were reported, but officials on both sides of the border expressed

concern regarding the problems that small-time exporters will face when the law is fully enforced. (Source: ATO/Monterrey, 1/16/04)

U.S. WILL IMPOSE FINES FOR NON-COMPLIANCE OF BIO-TERRORISM LAW

The General Director of International Negotiations of the Economy Secretariat, Kenneth Smith, stated after more than a month since the Bio-terrorism Law was enforced, Mexican authorities have not registered any detention of food shipments exported to the United States. He said that the U. S. government is not enforcing the law strictly due to the grace period of three months. However, commencing March 12, 2004, the law will be strictly enforced and non-compliance will evoke fines. (Source: *EL Financiero*, 1/20/04)

LOCAL MEDIA REPORTS RISING PRICES AND SHORTAGES OF HIGH-VALUE BEEF CUTS

A business analyst of a National Television Station reported that as a result of closing the Mexican border to U.S. beef imports, restaurants are reporting major price increases of between 25-30 percent for domestic meat products. Stocks of available U.S. meat imports will most likely be terminated in 1-2 weeks adding pressure to beef substitutes such as seafood, fish and chicken, and opening the way for contraband trade. According to the analyst, "We are going to see a lot of contraband (meat products) and the introduction of meat coming from clandestine slaughter facilities. This is a major risk to national health." (Source: *Televisa*, 1/19/04)

NOT ONE KILO OF U.S. MEAT HAS ENTERED INTO MEXICO: ECONOMY SECRETARIAT

The Under Secretary of International Trade Negotiations of the Economy Secretariat, Angel Villalobos, assured that not one kilogram of U.S. bovine meat has entered into Mexico since in the Mad Cow disease was detected. Therefore, he said, the food safety and health of Mexicans is guaranteed. (Source: *La Jornada*, 1/21/04)

MEXICAN CATTLEMEN MEET WITH COUNTERPARTS IN THE UNITED STATES

According to the Secretary of the Cattleman's National Confederation, Miguel Aleman-Migliolo, a Mexican delegation of cattlemen, industrial and rural producers will travel to United States to meet with their counterparts and USDA authorities January 25-27, 2004. The objective of this visit is to evaluate safety measures taken against the mad cow disease in order to reopen Mexican border to U.S. beef. (Source: *Reforma*, 1/21/04)

FEEDLOT OWNERS WANT ORDER IN THE MEXICAN MEAT MARKET

Mexico's feedlot owners will have an urgent meeting to discuss how to bring order to the domestic beef market and avoid continued speculation on prices and supply. Arnulfo Ortiz-Chamez, General Director of the VIZ Group, denied that beef prices would continue increasing in the short term because of the ban imposed on red meat imports from the United States. He based this statement on the fact that Mexico has enough meat supply, in addition to other supply options coming from Canada, Australia and New Zealand. (Source: *Reforma*, 1/21/04)

LOCAL IMPORTERS SWITCHING TO ALTERNATIVE MEAT PRODUCTS

Monterrey-based importers of meat products from the United States are becoming hard-pressed to commercialize beef substitutes such as pork, pork offals and chicken to greater

degrees in order to keep up with their sales objectives. Although the importation of boneless Canadian and Australian beef is permitted, high prices are limiting importers' willingness to place orders beyond mid-February because of uncertainty when the GOM will re-open its border to U.S. beef. Importers state that high prices of Canadian and Australian beef are a consequence of the high demand on beef in Asian markets and if the border re-opens for U.S. beef within the time they receive their "expensively bought" orders, beef prices will stabilize at lower levels, resulting in potentially large losses in their operations. For some importers, U.S. beef made up 60 percent of their total sales prior to the border closure. (Source: ATO Monterrey, 1/26/04)

NORTHERN MEXICO CATTLE FEEDERS AT FULL CAPACITY

Cattle feedlot owners in Northern Mexico are taking advantage of the low price situation in the United States within the feeder cattle market, forcing a drop in feeder cattle prices in Mexico and creating a higher supply for the local feeding industry. By contrast, local feeders are selling fed cattle at higher prices due to the great internal demand for domestic beef unleashed after Mexico banned US beef imports on December 23, 2003. In addition, local feeders state that the current high prices reflect cattle that were bought between September and October 2003, when cattle prices were expensive and the United States was importing large numbers of feeder steers for U.S. feedlots. (Source: ATO Monterrey, 1/26/04)

MEXICAN MEAT PACKERS STRUGGLE TO KEEP UP WITH DEMAND

Beef packers in Northern Mexico are facing a double-sided struggle: cattle feeders are not complying with delivery contracts for fed cattle which in turn, is preventing the packers from keeping up with their sales contracts. Since prices have risen and demand is high, feeders prefer to put their former contracts aside and sell their cattle to the highest bidder. This is causing packers to reduce product availability to regular customers (in some cases by half). And, since supply is short, new customers are emerging, but packers are being forced to prioritize customer quality with their most important receiving their best attention and service until the border is re-opened for U.S. beef. (Source: ATO Monterrey, 1/26/04)

MEXICAN CATTLEMEN LOOK FORWARD TO REGAINING THE MARKET

Mexican cattlemen are working "against the clock," making strategic alliances and investments to recover at least half of the 40 percent share of the domestic market they claim "was lost to competing meat product imports from the United States." For example, they plan to take advantage of the BSE issue in order to invest in new "TIF" (Federally Inspected Type) establishments. Mexican meat buyers advise that the strategy could dissolve if domestic producers do not offer good prices when the border re-opens to U.S. meat imports. (Source: *El Norte*, Monterrey, 1/19/04)

MEXICO TO TAKE ADVANTAGE OF MEXICO-JAPAN FTA NEGOTIATIONS

The *Daily Yomiuri*, a Japanese newspaper, indicated that from the thirty Free Trade Agreements (FTA) that Mexico has signed since 1992, only four have contributed to improve Mexico's balance of payments. The poor results obtained from NAFTA, mainly in the agricultural sector, have compelled Mexico to assume a radical position and look for better negotiations. By doing so, a FTA with Japan seems to be stuck because Mexican farmers have demanded that the Government of Mexico assume a "hard line position" when negotiating future trade agreements. The FTA between Mexico and Japan has been in negotiations for over a year and is expected to be signed within the week. Thus far, Japan

has signed only one agreement, with Singapore, and Mexico is looking for an advantageous outcome in their FTA. (Source: *El Universal*, 1/19/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX4009	Weekly Highlights & Hot Bites Issue #3	1/20/04
MX4010	Tax for Beverages Using HFCS Continues	1/20/04
MX4011	Semi-Annual Fresh Deciduous Report	1/26/04

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